

OVERVIEW OF AG FINANCE SITUATION

U.S. AND OHIO

BY

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INSTRUCTIONAL AIDS PREPARED FOR
1986 OHIO AG LENDERS SCHOOL
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STRUCTURAL CHANGE IN AGRICULTURAL FINANCE

- * SHARP REVERSAL OF LONG TERM TRENDS
- * ONE-HALF OF FARM DEBT OWED BY COMMERCIAL FARMS
THAT ARE IN SERIOUS FINANCIAL DIFFICULTY
- * INCREASED LOSSES AND COSTS HAVE AFFECTED LENDERS
- * CHANGES IN 3 ON-GOING TRENDS

LOAN VOLUME

MARKET SHARES

INDUSTRY REORGANIZATION

C H A N G I N G L O A N V O L U M E
(U. S.)

AVERAGE ANNUAL INCREASE

1940's	-	3%
1950's	-	7%
1960's	-	8%
1970's	-	13%

8% DECLINE SINCE 1982

LOAN CHARGE-OFFS

CURTAILED SPENDING

CAPITAL

OPERATING

DECLINE WILL CONTINUE

CHANGING MARKET SHARES

PERCENT OF FARM DEBT DECEMBER 31 - SELECTED YEARS OHIO

LENDER	1975	1980	1982	1984	1986
FLB	19	23	25	26	19
PCA	20	19	15	11	8
BANKS	26	20	18	21	24
INSURANCE	4	6	6	6	4
FHA	2	4	7	10	14
CCC	*	2	5	3	7
OTHER	29	25	24	24	24
1986 ESTIMATED					

CHANGING INDUSTRY
(BANKS)

FEWER/LARGER BANKING FIRMS IN OHIO

1970 - 517 COMMERCIAL BANKS

1984 - 320 COMMERCIAL BANKS

20 LARGEST BANKING ORGANIZATIONS
85% OF BANK ASSETS

RECIPROCAL BANKING

1984 - 0 STATES

1985 - 13 STATES + D.C.

1988 - ENTIRE COUNTRY

CONSOLIDATION

OHIO - ECONOMIES OF SIZE

IOWA - BANK FAILURES

CHANGING INDUSTRY

(FCS)

JOINT MANAGEMENT

ALL 12 REGIONAL BANKS

MANY LOCALS

REDUCED LOCAL ASSOCIATIONS

U.S.

PCA'S	424	168
FLBA'S	492	279

OHIO

PCA'S	10	2
FLBA'S	18	6
CENTERS		8

CONVERSION

FCA: OVERSIGHT/LIAISON TO REGULATOR

NEW

CAPITAL CORP.	:	HOME FOR BAD LOANS
CREDIT COUNCIL	:	LIAISON/LOBBYING
CREDIT CORP.	:	HEADQUARTERS/37 BANKS

F A R M I N G S E C T O R B A L A N C E S H E E T

DECEMBER 31 - SELECTED YEARS

OHIO

	1980	1982	1984	1986	1990
- - BILLION \$ - -					
ASSETS					
REAL	29.5	23.9	17.8	14.0	
NON-REAL	8.6	8.8	8.4	7.8	
TOTAL	38.1	32.7	26.2	21.8	
LIABILITIES					
REAL	2.8	3.1	3.1	2.8	
NON-REAL	2.0	2.4	2.1	2.0	
TOTAL	4.8	5.5	5.2	4.8	
NET WORTH	33.3	27.2	21.0	17.0	
D/A RATIO	12.6	16.8	19.6	22.0	

F A R M I N G S E C T O R B A L A N C E S H E E T

DECEMBER 31 - SELECTED YEARS

U.S.

	1975	1980	1982	1984	1986
- - BILLION \$ - -					
ASSETS					
REAL	381	779	746	640	
NON-REAL	129	224	232	216	
TOTAL	510	1,003	978	856	
LIABILITIES					
REAL	45	88	101	103	
NON-REAL	40	82	103	96	
TOTAL	85	170	204	199	
NET WORTH	425	833	774	657	
D/A RATIO	17	17	21	23	